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GOVERNOR

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DEPARTMENT OF TREASURY
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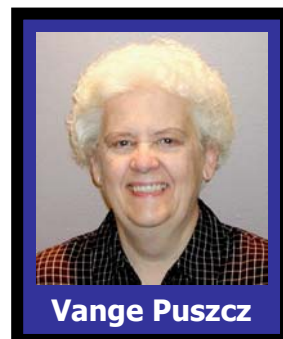
JAY B. RISING
STATE TREASURER

TO: Participating Schools and Lenders
FROM: Toots Lapata-Victorson 
DATE: October 22, 2003
SUBJECT: Educational Loan Notes

FINANCIAL AID PERSON OF THE QUARTER

Vange Puszczyk has been the Financial Aid Administrator for the Center for Humanistic Studies (CHS) Graduate School since June 1987. She has enjoyed the challenges of working with graduate students who are older and more mature. Previously, Vange worked as a teacher for 15 years and with the Federal Bureau of Investigation (FBI) for eight years. Some of the intrigue involved in working at the FBI prepared Vange for her work in financial aid.

Helping students to achieve their educational goals is part of Vange's assignment in life. She believes that her contribution is helping prepare men and women to develop a heightened awareness of their responsibility to work in the larger community. Dana Litherland, a CHS student, made these comments about Vange, "Vange is irreplaceable because she makes sure that all the things that we need to complete our financial aid are taken care of. She has a wealth of knowledge and is always willing to help."



Working in financial aid can be rewarding, but it can also be frustrating. Keeping abreast of the rules and regulations is time-consuming. Vange has been fortunate to have a knowledgeable mentor to help her whenever she encounters a problem. Sarajane Seaver from the College of Creative Studies is very knowledgeable and, because of her kind spirit, freely shares her experience with others. Before CHS moved to Farmington Hills it was very close to the College for Creative Studies. Vange and Sarajane were within walking distance and would discuss topics on a regular basis.

Vange's advice to newcomers to financial aid is that they become familiar with the *Common Manual* and the *Federal Student Loan Handbook*. She uses these two resource books to provide answers to any question she encounters. In addition, Vange stresses the importance of working closely with the Michigan Guaranty Agency (MGA), indicating that we have a wealth of information and are readily available to assist whenever needed.

CHS has a unique family atmosphere, which encourages students to creatively express their knowledge in order to adapt to the varying needs of others. With continued political and cultural unrest in our society, CHS prepares their graduates to respond to the crises and issues of our time by training them in research, dialogue, and fieldwork that is grounded in the humanistic tradition. Vange believes that this philosophy is emphasized in the graduation ceremony where graduates dress in their Sunday best or native costume. When a student obtains a Master's Degree, the graduation ritual includes having each student receive an individual candle, lit from a larger candle. After lighting the candle, the graduate explains how their candle will add to the light of the world.

(Continued on the next page.)

Doctoral students are given a stole by their committee chairperson who announces the title of their qualitative research dissertation and introduces the graduate as “Doctor” for the first time to the world.

Vange loves to read, walk, and golf. (Her best golf score is 97.) She is family-oriented and enjoys time with her niece and nephews. Kerry Moustakas, CHS President, is pleased that Vange has been recognized by MGA as financial person of the quarter because her dedication and hard work have been an asset to their school.

REMINDER FOR 1098-T REPORTING

Schools are reminded that effective for the 2003 tax year schools must complete **all** fields of IRS Form 1098-T according to a Federal Register notice (26 CFR Parts 1, 301, and 602) that was published on December 19, 2002. Previous reporting did not require schools to provide financial information necessary to determine eligibility for Hope and Lifetime Learning tax credits.

For the 2003 tax year schools are expected to generate IRS Form 1098-T and provide a statement, on paper or electronically, to each enrolled student. If your school uses a third party servicer to complete this form, you may want to contact them with this reminder as well.

Instructions for institutions on filing 1098-T and 1098-E forms can be found at <http://www.irs.gov/pub/irs-pdf/i1098et3.pdf>.

Schools can refer parents and students who wish to receive instructions and learn more about the two tax credits to: IRS Form 8863, Education Credits (Hope and Lifetime Learning Credits) at <http://www.irs.gov/pub/irs-pdf/f8863.pdf>.

The National Association of Student Financial Aid Administrators (NASFAA) provides an informational brochure on the Hope and Lifetime Learning programs for students and parents that you may link to from your school's Web site: <http://www.nasfaa.org/AnnualPubs/Tax/TaxBenefitsGuide.html>.

Questions about the reporting requirements for 1098-T may be directed to Mary Bachinger at

the National Association of College and University Business Officers (NACUBO) at (202) 861-2581.

NATIONAL AND MICHIGAN SCHOOL COHORT DEFAULT RATES

Attached to this issue of *Educational Loan Notes* is a comparison of the national cohort default rates for the past three fiscal years broken down by school sector. A comparison of Michigan schools' cohort default rates for the past two years is also attached.

MAPPING YOUR FUTURE INVITES YOU TO JOIN THE ONLINE STUDENT LOAN COUNSELING TEAM

Mapping Your Future (MYF) recognizes that school financial aid and business office professionals know best what type of services and information their students and staff need. Because of your knowledge and expertise, MYF extends an invitation to join the Online Student Loan Counseling (OSLC) Team.

OSLC is one of MYF's most popular services. Online Student Loan Counseling:

- Helps schools and students to conveniently meet federal loan counseling requirements,
- Enhances a student's loan management education by actively involving him or her in the counseling process, making the service an important default prevention tool, and
- Allows busy financial aid professionals an opportunity to spend more time with students who need personal assistance.

MYF continually works to enhance these services with assistance from the OSLC team. The team, consisting of volunteers from MYF's sponsors, friends, members, and colleges and universities, usually meets via conference call monthly to ensure the counseling sessions meet federal requirements and to consider enhancements.

To join the OSLC team, or for questions about this or other teams please contact CariAnne Cutshall at carianne.cutshall@mapping-your-future.org or by telephone at 573-634-8641.

MGA 2003 FALL SCHOOL WORKSHOPS

The Michigan Guaranty Agency is gearing up for our 2003 Fall School Workshops. These workshops offer an interactive format to provide you with the latest information to help you administer federal student loans and other aid programs. As always, there is no cost to your institution for attendance at our workshops. The workshops will cover the following topics:

Policy/Regulatory Update (In the News) and Federal Application Processing Changes

After this session, you'll understand what changes have been made to the financial aid delivery system, the latest on new and proposed regulations, and the current word on what is in store for the upcoming reauthorization of the Higher Education Act (as amended).

The New Horizon (Technology for the Financial Aid Administrator)

What's next for today's financial aid administrator? A paperless financial aid office? Well, not quite yet, but in recent years the U.S. Department of Education (ED), along with many of its community partners, has greatly enhanced the awarding, disbursing, and reporting processes of the federal financial aid programs. This session will take a look at a number of the software products that are currently available to assist today's aid administrator in his/her daily routine.

Guide to Students and Parents—Educational Financial Planning

This session is to assist you in advising students and parents paying for college on the various options available before, during, and after students obtain their postsecondary education. Topics we will cover include saving for college, the tax benefits of a student loan, and the effect bankruptcy has on a student loan.

Professional Judgment and Verification

Professional judgment (PJ) is a topic of interest to many financial aid administrators. During this session we will discuss when and why PJ is appropriate, as well as performing verification when PJ is exercised. We will also cover a range of case studies related to PJ and verification.

Default Prevention—How to Import and Manipulate Online Reports

Learn how to download the Delinquent Borrower by School report and import it into Microsoft® Excel as a spreadsheet. Manipulate the report to your criteria, i.e. isolate borrowers by cohort year for use in a call campaign or other activity, merge data with a Microsoft® Word document for distribution to your borrowers, etc.

Workshops will be held on November 18, 2003, at the Holiday Inn Resort and Conference Center in Mt. Pleasant; November 19, 2003, at the Crowne Plaza Hotel in Grand Rapids; and on November 20, 2003, at the St. John's Golf and Conference Center in Plymouth. Registration and continental breakfast will begin at 8:30 a.m., with the first session starting at 9:00 a.m. Lunch will be provided, and we plan to conclude at approximately 3:00 p.m.

Registration materials were sent via email on October 16, 2003. If you have any questions or concerns regarding registration, please contact Stacy Cardwell at 1-800-642-5626, extension 36074. Other questions pertaining to the workshop should be directed to Flora Boles at extension 52882 or Nancy Vaughn at extension 31871.

MAPPING YOUR FUTURE ENHANCES GRADUATE STUDENT PAGE, PROVIDES NEW INFORMATION

The MYF Graduate Student Information Team, a project team of the Default Prevention Team, has enhanced the graduate student page (<http://mapping-your-future.org/graduate/>), and developed new content specific to graduate and professional students. The new page targets information to prospective graduate students and current students.

For prospective students the site provides information on various graduate programs and an index of graduate and professional school admissions tests (with links to the test administrators). It also encourages prospective students to research salaries through the *Occupational Outlook Handbook* and www.salary.com.

(Continued on the next page.)

MYF encourages prospective and current graduate students to be financially fit, linking to the financial fitness tools page and encouraging students to budget. Separate links are provided for information about credit cards and credit reports.

The enhanced page also links to a variety of information on student financial aid specific to graduate and professional students. The page links to the Free Application for Federal Student Aid (FAFSA) and answers frequently asked questions about graduate aid (<http://mapping-your-future.org/graduate/gradfaq.htm>). A new page (<http://mapping-your-future.org/graduate/gradfa.htm>) discusses financial aid programs for graduate study, including scholarships and grants, fellowships, and "traineeships," teaching and research assistantships, residence hall counselor or advisor positions, federal work study, and as a last resort, federal student loans and alternative loans. Graduate students who already have student loans can review options for those loans while they are pursuing graduate study.

SPECIAL ALLOWANCE RATES

Special Allowance rates based on the 91-day Treasury Bill (T-bill) average and the three-month Commercial Paper average for the quarter ending September 30, 2003, are attached to this issue of *Educational Loan Notes*. The average of the bond equivalent rates of the 91-day T-bills auctioned during the quarter ending September 30, 2003, is **.95%**.

All new Federal Family Education Loan Program (FFELP) loans disbursed on or after January 1, 2000, are paid special allowance, if eligible, based on the Commercial Paper rate. The average of the bond equivalent rates of the quotes of the three-month Commercial Paper (financial) rates in effect for each of the days in the quarter ending September 30, 2003, is **1.07%**.



THE "ED" PIPELINE

Following are some of the most recent ED correspondence for schools and lenders.

Dear Partner **September 2003** **GEN-03-11**

This letter announces the inclusion of school information on the Federal Student Aid office's Student Aid on the Web (previously known as the Students Portal).

Dear Partner **October 2003** **GEN-03-12**

This letter describes new procedures that are used by the National Student Loan Data System (NSLDS) to calculate aggregate loan limits for FFELP and the Federal Direct Loan Program (FDLP) when a student has consolidated some or all of their student loans. It also covers several related questions to assist schools in using the financial aid history functions of NSLDS.

LENDER LIST UPDATES

School personnel should record the following actions on the "Participating Lender List" dated May 1, 2003. Please make the appropriate changes in all sections of the list as needed. If you have any questions regarding these updates, please contact Pat Fromm at extension 36076.

Name Change

Royal Oak Community Credit Union, 831983, should be Royal Oakland Community Credit Union.

Joined Referral Program

The following lender has joined the Standard Federal referral loan program. Their address is c/o Nelnet, Inc., P.O. Box 82596, Lincoln, NE 68501-2596. Telephone: 800-755-7858.

222016 Craftsman Credit Union

SCHOOL LIST UPDATES

The following changes should be recorded by lenders on MGA's "Active Michigan School List" dated August 6, 2003. If you have any questions regarding these changes, please contact Stacy Cardwell at extension 36074.

Title Change

Reformed Bible College, Grand Rapids, 002311-00

Agnes Russell's new title is Financial Aid Director.

Contact Changes

Chic University of Cosmetology, Kalamazoo, 008178-01

Delete Kathleen Mazick. Don Florinchi is the new Admissions Director. His email address is chic@i2k.com.

ITT Technical Institute, Troy, 008329-03
Kim Zwierzchowski is the new Director of Finance. Her email address is kzwierzchowski@itt-tech.edu. Telephone: 248-542-1800. Fax: 248-524-1965.

"Q" AND "A"

What is an institution's cohort default rate?

For schools having 30 or more borrowers entering repayment in a fiscal year, the school's cohort default rate is a percentage of a school's borrowers who enter repayment on certain FFELP and/or FDLP loans during that fiscal year, and default (or meet other specified conditions) within the cohort default period.

For schools with 29 or fewer borrowers entering repayment during a fiscal year, the cohort default rate is a percentage of borrowers entering repayment over a three-year period.

What is the cohort default period?

The cohort default period refers to the two-year period that begins on October 1 of the fiscal year when the borrower enters repayment and ends on September 30 of the

following fiscal year. This is the period during which a borrower's default affects the school's cohort default rate.

Our institution has a student who withdrew from classes after receiving both disbursements of a Federal Stafford Subsidized and Unsubsidized loan. We have calculated the amount that is to be returned by our institution and returned those funds. How is the borrower to repay the additional funds that are to be returned?

If the amount of unearned aid exceeds what the school must return, the student is responsible for returning unearned Title IV funds. If funds must be repaid to a Title IV loan program, the student (or parent in the case of a PLUS loan) returns those funds by normal repayment of the loan according to the terms and conditions of the promissory note [§668.22(h)]. No further action by the institution is required other than notification to the holder of the loan of the student's withdrawal date.

We have a borrower at our school who wants a Federal Stafford loan from a lender who is not on our preferred lender list. Do we have to certify the loan?

Yes; 6.15.E of the Common Manual states: "A school may not refuse to certify a loan if that refusal is based on policies that result in a pattern or practice of denying access to Federal Family Education Loan Program (FFELP) loans because of borrower race, sex, religion, national origin, age, income, or selection of a particular lender or guarantor."



Calendar of Upcoming Events

October 2003

- 24 Life SkillsSM Train-The-Trainer Workshop
Crowne Plaza
Grand Rapids, Michigan
- 24-26 Michigan Bankers Association
Retail Lending Conference
Shanty Creek Resort
Bellaire, Michigan

December 2003

- 2 Guaranty Agency Advisory Committee Meeting
University Club
Michigan State University
East Lansing, Michigan
- 24-26 MGA Office Closed
- 31 MGA Office Closed

November 2003

- 5 Life SkillsSM Train-The-Trainer Workshop
Marriott Hotel
Pontiac, Michigan
- 6 Life SkillsSM Train-The-Trainer Workshop
St John's Conference Center
Plymouth, Michigan
- 11 Mapping Your Future Evening Chat
for Student Loan Borrowers Regarding
Loan Consolidation
- 11 MGA Office Closed
- 13 Life SkillsSM Train-The-Trainer Workshop
Clarion Hotel
Lansing, Michigan
- 18 MGA Fall School Workshop
Holiday Inn
Mt. Pleasant, Michigan
- 19 MGA Fall School Workshop
Crowne Plaza Hotel
Grand Rapids, Michigan
- 20 MGA Fall School Workshop
St John's Conference Center
Plymouth, Michigan
- 27-28 MGA Office Closed

If you need further information or wish to submit items for the calendar, please contact Jim Peterson, Editor, at extension 36944, or via e-mail at petersonj@michigan.gov.

LOAN NOTES

October 2003

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Federal Family Education Loan Program and Federal Direct Loan Program

Institutional Default Rate Comparison of FY 1999, 2000, and 2001 Cohort Default Rates

(Note: These rates are accurate only as of September, 2003.)

	FISCAL YEAR 1999				FISCAL YEAR 2000				FISCAL YEAR 2001			
Institution Type	Number of Schools	Borrower Default Rate	Number of Defaulted Borrowers	Number of Borrowers Entering Repayment	Number of Schools	Borrower Default Rate	Number of Defaulted Borrowers	Number of Borrowers Entering Repayment	Number of Schools	Borrower Default Rate	Number of Defaulted Borrowers	Number of Borrowers Entering Repayment
Public	1,828	5.60%	73,318	1,303,020	1,772	5.90%	79,690	1,348,885	1,713	5.30%	71,077	1,316,719
Less than 2 years	183	7.00%	408	5,768	179	8.10%	480	5,881	168	7.20%	387	5,366
2-3 years	1,002	8.80%	27,485	310,412	964	9.20%	29,129	313,582	930	8.60%	26,148	301,125
4 years(+)	643	4.60%	45,425	986,840	629	4.80%	50,081	1,029,422	615	4.40%	44,542	1,010,228
Private	1,994	3.80%	25,049	645,873	1,947	4.00%	26,963	670,176	1,888	3.50%	23,360	667,002
Less than 2 years	111	13.40%	426	3,173	100	14.90%	453	3,022	83	9.30%	263	2,810
2-3 years	325	6.60%	1,460	21,902	310	6.90%	1,453	20,946	273	6.80%	1,353	19,719
4 years(+)	1,558	3.70%	23,163	620,798	1,537	3.80%	25,057	646,208	1,532	3.30%	21,744	644,473
Proprietary	2,479	9.30%	32,390	345,417	2,337	9.40%	35,597	375,321	2,215	9.00%	35,485	391,531
Less than 2 years	1,566	10.90%	10,430	95,643	1,448	11.00%	11,113	100,681	1,335	10.80%	11,090	102,569
2-3 years	751	9.10%	14,459	158,836	720	9.50%	15,419	161,614	704	9.30%	14,606	157,045
4 years(+)	162	8.20%	7,501	90,938	169	8.00%	9,065	113,026	176	7.40%	9,789	131,917
Foreign	399	2.20%	102	4,618	389	2.60%	127	4,749	420	2.30%	113	4,905
Unclassified	2	0.30%	2	605	5	0.10%	1	643	4	0.10%	1	584
Total	6,702	5.60%	130,861	2,299,533	6,450	5.90%	142,378	2,399,774	6,240	5.40%	130,036	2,380,741

This table reflects all borrowers who entered repayment during the given fiscal year as reported to the National Student Loan Data System (NSLDS). Some of these borrowers attended schools that are no longer eligible for Title IV program participation. The information provided in the downloadable or searchable reports on the U.S. Department of Education's (ED's) Web site is limited to schools that, at the time of the most recent calculation, were eligible for participation in the Title IV programs. Therefore, since this table is based on a larger population, totals derived from the downloadable or searchable reports will not fully reconcile with the figures above.

STATE OF MICHIGAN SCHOOLS

COHORT DEFAULT RATE BY SECTOR FISCAL YEAR 2000 and FISCAL YEAR 2001

Institution Type	Number of Schools	Number of Defaulted Borrowers	Number of Borrowers Entering Repayment	Cohort Default Rate 2000	Cohort Default Rate 2001
Public 4-Year	15	1,720	42,049	5.4%	4.1%
Public 2-Year	27	837	8,988	8.6%	9.3%
Private 4-Year	36	1,538	21,927	6.1%	7.0%
Proprietary	29	540	4,444	12.4%	12.2%
Graduate/Professional	5	18	921	1.6%	2.0%
Totals	112	4,653	78,329	6.4%	5.9%

**91-DAY TREASURY BILL
SPECIAL ALLOWANCE RATES
FOR
QUARTER ENDING SEPTEMBER 30, 2003**

	Loan Rate	Special Allowance Annual Rate	SA Quarterly Rate	Part IV: Special Allowance Category Column C
SA	7% 9%	0 0	0 0	SA - for loans made before 10/01/81.
SB	7% 8% 9%	0 0 0	0 0 0	SB - for Stafford (subsidized) and PLUS loans made on/after 10/01/81 but before 10/17/86 or loans made on/after 10/17/86 but before 11/16/86, for enrollment periods beginning before 11/16/86.
SD	7% 8% 9% FVAR10 (5.01%) PLUS/SLS Var (5.38%)	0 0 0 0 0	0 0 0 0 0	SD - for Stafford (subsidized) and PLUS/SLS loans made on/after 10/17/86 but prior to 11/16/86 for enrollment periods beginning on/after 11/16/86. For Stafford (subsidized) and PLUS/SLS loans made on/after 11/16/86 but before 10/01/92. Also, for Stafford (unsubsidized) loans made prior to 10/01/92 for periods of enrollment beginning on/after 10/01/92.
SE	FVAR7 (4.86%) FVAR8 (4.86%) FVAR9 (4.86%) FVAR10 (4.86%) EVAR (4.86%) PLUS/SLS Var (5.23%)	0 0 0 0 0 0	0 0 0 0 0 0	SE - for Stafford loans made on/after 10/01/92 but prior to 07/01/94, regardless of the enrollment period, or loans made after 07/01/94 for an enrollment period ending prior to 07/01/94. Also, for PLUS loans made on/after 10/01/92 but before 07/01/94. Also, for SLS loans made on/after 10/01/92 but before 07/01/94; or <i>certified</i> before 07/01/94 and <i>disbursed</i> after 07/01/94.
SG	Stafford Var (4.86%) PLUS Var (5.23%)	0 0	0 0	SG - for Stafford loans made on/after 07/01/94 but before 07/01/95, or loans made on/after 07/01/95 but before 07/01/98, during periods of repayment or forbearance. Also, for PLUS loans made on/after 07/01/94 but before 07/01/98.
SH	Stafford Var (4.26%) PLUS Var (4.86%)	0 0	0 0	SH - for Stafford loans made on/after 07/01/95 but before 07/01/98 <i>only</i> during the in-school, grace, and deferment periods. Also, for PLUS loans made on/after 07/01/98 but prior to 01/01/00.
SJ	Stafford Var (2.82%)	.0033	.000825	SJ - for Stafford loans made on/after 07/01/98 but prior to 01/01/00 <i>only</i> during the in-school, grace, and deferment periods.
SK	Stafford Var (3.42%)	.0033	.000825	SK - for Stafford loans made on/after 07/01/98 but prior to 01/01/00 <i>only</i> during the repayment and forbearance periods.

PLEASE NOTE: The 91-day T-bill average (bond equivalent rate) is **.95%** for the **third** quarter of **2003**. This results in the following yields.

SA .95% plus 3.50% = 4.45%	SG .95% plus 3.10% = 4.05%
SB .95% plus 3.50% = 4.45%	SH .95% plus 2.50% = 3.45%
SD .95% plus 3.25% = 4.20%	SJ .95% plus 2.20% = 3.15%
SE .95% plus 3.10% = 4.05%	SK .95% plus 2.80% = 3.75%

**91-DAY COMMERCIAL PAPER
SPECIAL ALLOWANCE RATES
FOR
QUARTER ENDING SEPTEMBER 30, 2003**

	Loan Rate	Special Allowance Annual Rate	SA Quarterly Rate	Part IV: Special Allowance Category Column C
CA	Stafford Var (2.82%)	0	0	<u>CA</u> - for subsidized/unsubsidized Stafford loans made on/after 01/01/00 but prior to 07/01/06, <i>only</i> during the in-school, grace, and deferment periods.
CB	Stafford Var (3.42%)	0	0	<u>CB</u> - for subsidized/unsubsidized Stafford loans made on/after 01/01/00 but prior to 07/01/06, during the repayment and forbearance periods <i>only</i> .
CD	PLUS Var (4.22%)	0	0	<u>CD</u> - for PLUS loans made on/after 01/01/00 but prior to 07/01/06. Note: special allowance will not be paid unless the calculated interest rate exceeds the 9% cap.

PLEASE NOTE: The three-month Commercial Paper average (bond equivalent rate) is **1.07%** for the **third** quarter of **2003**. This results in the following yields.

CA 1.07% plus 1.74% = 2.81%
CB 1.07% plus 2.34% = 3.41%
CD 1.07% plus 2.64% = 3.71%